INFORMATION LETTER

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Canning Industry Is Geared For Any Emergency, Heinz Says

The canning industry is geared to play its part in any war or emergency situation the nation finds itself, it was stated this week by Frederick C. Heinz, Vice President of N.C.A., in an address before the annual meeting of the Florida Canners Association.

Mr. Heinz' address opened the fall program of state and regional meetings at which N.C.A. officers and staff will speak. The Florida convention was held in Palm Beach October 25-27.

Mr. Heinz pointed out that canners have helped their government win two world wars this century, and today in their national organization, with its modern laboratory facilities at headquarters in Washington, Berkeley, and Seattle, are ready to make another important contribution if it becomes necessary.

In wartime, Mr. Heinz explained, the industry is called on for all-out

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Construction under USDA

Tighter rules for approving applications for steel, copper, and aluminum for construction of food production, food processing, and wholesale food distribution facilities were announced October 19 by the U. S. Department of Agriculture.

In substance, the three basic categories of essentiality under which all construction applications will now be reviewed by USDA are as follows:

"1. Non-deferrable projects which are basically important to the nation's food program, where existing facilities of the type applied for are clearly inadequate to meet recognized food program requirements.

"2. Non-deferrable projects involving public health, safety and welfare, where immediate remodeling or replacement of facilities has been ordered by appropriate local, state, or national officials in order to safeguard public interests.

"3. Projects involving severe personal hardship. Projects in this category will be given materials only after the needs of categories one and two are met."

The new rules were made necessary by the reduced quantities of controlled

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OPS Publishes Pricing Standards And Orders Staff to Proceed with Issuance of Tailored Regulations

The Office of Price Stabilization has ordered its commodity division directors to proceed at once with the development of tailored regulations for manufacturers and processors. OPS said that these regulations, wherever possible, will provide "identifiable" ceilings for the benefit of buyers and sellers, with emphasis on dollars-and-cents ceilings.

The program, contained in a pricing memorandum to all commodity division directors from E. F. Phelps, Jr., Director of OPS' Office of Price Operations, was announced October 22. The program has as its objectives, according to OPS:

"1. Quickly building a more stabilized price structure, to guard the nation against the heavier inflationary pressures anticipated in the winter and spring;

"2. Supplanting present interim regulations, and their unavoidable disadvantages, with tailored regulations adopted specifically for each industry or segment of an industry and based on its own particular problems and practices;

"3. Applying identifiable dollars-and-cents ceiling prices in every case this can be done, to make clear to the seller and buyer the legal prices that can be charged and paid;

"4. Reducing ceiling prices under those that now prevail wherever permitted by the specific requirements of law and by the over-all requirement that ceilings must be generally fair and equitable to an industry; and

"5. Increasing ceiling prices in instances where, because of cost increases, existing ceilings are no longer generally fair and equitable."

Various pricing techniques are suggested in the memorandum for the guidance of the division directors. While dollars-and-cents ceilings are to be used wherever possible, it is recognized that they usually must be restricted to standardized goods historically sold at substantially uniform prices, OPS said.

Other techniques available include (1) a straight freeze, where a suitable base period with a satisfactory price level can be found; (2) a modified freeze, where it is possible to find a suitable base period providing prices which can be adjusted to reflect more recent costs; (3) a formula technique, setting ceilings on the basis of some markup (seller's own historical markup or a specified percentage markup) over certain elements of cost.

General rules for price levels are set out in the standards.

Issuance of the pricing memorandum coincides with the adjournment of Congress and its failure to amend the Defense Production Act in accordance with the President's wishes.

The OPS memorandum is reproduced in full beginning on page 368.

Chemicals in Food Products

Representative Delaney (N. Y.), chairman of the special House Committee to Investigate the Use of Chemicals in Food Products, formally announced on October 20 the schedule of public hearings to be held by the committee in Washington and California.

The field hearings had been decided on, Mr. Delaney said, in response to numerous requests from West Coast fruit producers and processors, entomologists, pharmacologists, and other scientists who will present their views

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STATISTICS

Supply, Stocks and Shipments Of Canned Fruits

Reports on canners' supply, stocks, and shipments of canned apples, apple sauce, apricots, and sweet cherries have been compiled by the N.C.A. Division of Statistics, and detailed reports have been mailed to all canners packing those items.

Canned Apple Stocks and Shipments

	1951–52 (cases—basis 6/10)
Carryover, Aug. 1	1,953,263
Pack, Aug. and Sept.	347,614
Supply	2,300,877
Stocks, Oct. 1	1,825,594
Shipments during Sept.	317,314
Shipments, Aug. 1 to Oct. 1	475,283

Apple Sauce Stocks and Shipments

	1951–52 (actual cases)
Carryover, Aug. 1	3,497,089
Pack, Aug. and Sept.	1,162,621
Supply	4,659,710
Stocks, Oct. 1	3,186,514
Shipments during Aug.	628,158
Shipments, Aug. 1 to Oct. 1	1,473,196

Canned Apricot Stocks and Shipments

	1950–51 (cases—basis 24/2½)	1951–52 (cases—basis 24/2½)
Carryover, June 1	540,000	115,000
Pack	3,661,000	4,614,000
Total supply	4,201,000	4,729,000
Stocks, Oct. 1	1,942,000	2,530,000
Shipments during Sept.	526,000	600,000
Shipments, June 1 to Oct. 1	2,259,000	2,199,000

Sweet Cherry Stocks and Shipments

	1950–51 (cases—basis 24/2½)	1951–52 (cases—basis 24/2½)
Carryover, June 1	316,000	55,000
Pack	741,000	a900,000
Total supply	1,057,000	a955,000
Stocks, Oct. 1	611,000	576,000
Shipments during Sept.	99,000	88,000
Shipments, June 1 to Oct. 1	446,000	379,000

a Pack total revised.

1951 Sweet Cherry Pack

The 1951 pack of canned sweet cherries amounted to 1,219,086 actual cases, according to a revised report issued by the N.C.A. Division of Statistics.

State	1950	1951
	(actual cases)	
Michigan	68,976	94,830
Utah	(a)	15,612
Wash.-Ore.	446,906	785,421
California	469,474	302,972
Other states	4,930	20,251
U. S. Total	990,286	1,219,086

(a) Included in other states.

Canned Baby Food Stocks

Details of the canned baby food supply, stock and shipment situation are reported by the N.C.A. Division of Statistics as follows:

	1950	1951
	(thousands of dozens)	
Canner stocks, Jan. 1	55,341	62,453
Pack, Jan. through Sept.	89,817	87,574
Supply	145,158	150,027
Canner stocks, Oct. 1	46,376	55,047
Canner shipments, Sept.	11,749	11,322
Canner shipments, Jan. through Sept.	98,782	94,980

The Vegetable Situation—1952 Outlook

Supplies of canned and frozen vegetables will be generally adequate and will likely sell at slightly higher retail prices than a year ago owing to higher raw product costs to canners and to stronger civilian demand, according to the 1952 outlook reported by the Bureau of Agricultural Economics in *The Vegetable Situation*.

Some items may be in substantially larger supply than last winter, and may show little if any increase at retail, according to BAE. These include such items as canned and frozen peas, spinach, and snap beans. On the other hand, supplies of canned sweet corn may be a little short until fall, 1952.

Some of the expanded military requirements for canned and frozen vegetables in 1951 came from the necessity to fill up "pipe-lines." Although use of processed vegetables by the military probably will be as high in 1952 as in 1951, BAE said, it is assumed that much of the initial filling of "pipe-lines" will have been accomplished. If this proves to be the case, and if the size of the armed forces remains substantially unchanged, total military requirements to be met from 1952 packs may be smaller than in 1951. Civilian demand is expected to continue very strong. Civilian consumption probably will continue at high rates in spite of the somewhat higher prices at which the 1951 packs in general will be moving.

Total demand for canned vegetables in 1952 is expected to be slightly less strong than in 1951. This prospect rests primarily on the assumption that military requirements will slacken by the amount of initial filling of pipelines which was accomplished out of the 1950 and 1951 packs. Civilian demand for canned vegetables is expected to continue fully as strong as in 1951. However, it remains to be seen whether per capita consumption will continue at recent high rates in spite of the general price increases applied to the 1951 pack.

The table at the bottom of this page shows combined carryover of the major canned vegetables at the beginning of the 1951 packing season as compared with a year ago.

Following is a summary of the 1952 outlook of vegetables for processing, as reported by BAE:

Tomatoes—Based on October 1 conditions, the 1951 crop of tomatoes for commercial processing was expected to total about 3.9 million tons, or 41 percent more than the 1950 crop and 35 percent larger than the 10-year average, 1940-49.

Sweet Corn—Consumer demand for canned and frozen sweet corn is expected to remain high in 1952, and commercial processors in general probably will want to pack as much corn in 1952 as in 1951.

Peas—Demand for canned peas in 1952 is expected to be about the same as in 1951, but demand for frozen peas will probably increase in line with long-time trends in per capita consumption. Recent canner and distributor stocks of canned peas were only slightly higher than a year earlier.

Snap Beans—In the light of the large supplies, it is likely that prices for canned snap beans will average no higher in 1952 than in 1951.

Lima Beans—Stocks of canned green lima beans recently have been slightly lower than a year earlier. A near record large crop for commercial canning and freezing was indicated October 1, about 7 percent larger than

Comparison of 1950 and 1951

Canners and Distributors Carryover of Major Canned Vegetables

(in millions of actual cases)

		Canners			Wholesale Distributors			Total		
		1950	1951	Percent Change	1950	1951	Percent Change	1950	1951	Percent Change
Snap beans	7/1	1.6	1.4	−12	3.6	4.2	+17	5.2	5.6	+ 8
Sweet corn	8/1	6.5	0.4	−94	6.9*	6.1*	−12	13.4	6.5	−51
Peas	6/1	2.1	1.1	−48	4.4	6.3	+43	6.5	7.4	+14
Tomatoes	7/1	1.9	0.1	−95	4.0	2.2	−45	5.9	2.3	−61
Tomato juice	7/1	3.0	0.9	−70	3.0	2.9	− 3	6.0	3.8	−37
Total five items		15.1	3.9	−74	21.9	21.7	− 1	37.0	26.6	−28

* July 1 stocks; Aug. 1 data not available.

the 1950 crop and almost double the 10-year average. Some slight build-up of stocks seems likely. Processor demand next year may be a little weaker than in 1951.

Beets—Stocks of canned beets recently have been much larger than those of a year earlier. The crop for canning is down somewhat this year, but considerably above average. Processor demand for beets next year probably will be no stronger than in 1951.

Sauerkraut—The new pack of sauerkraut may be smaller than last year. According to October estimates, the production from contract acreage for commercial harvest totals about 13 percent less than was harvested in 1950, but 32 percent larger than the 10-year average. Demand for cabbage acreage for kraut next year probably will be not much stronger than in 1951.

Spinach—Production of spinach for processing this year will be much larger than last year. Stocks of canned spinach probably will be considerably larger at the end of the 1951 pack year than at the beginning and processor demand for spinach acreage next year probably will be weaker.

Cucumbers for pickles—Following last year's very short crop of cucumbers for pickles, processors offered much higher prices in 1951, with the result that acreage planted this year was 29 percent above the 1950 acreage. If yields turn out well, production will be considerably above average. In such an event, processor demand for cucumbers next year may not be quite as strong as in 1951.

Pimientos—Production of pimientos in Georgia this year was estimated as of October 1 to be only one-third as large as the record large crop last year, owing to both lower yields and a drastic cut in acreage. This crop, however, is 14 percent above the 10-year average. Processor demand for pimientos in 1952 is expected to be about the same as in 1951.

FISHERIES

North Pacific Fisheries

Negotiations for the conclusion of a North Pacific Fisheries Convention, providing for the regulation or limitation of fishing and the conservation and development of fisheries on the high seas, are scheduled to begin November 5 in Tokyo.

Milton E. Brooding, California Packing Corp., and Donald P. Loker, High Seas Tuna Packing Co., Inc., are advisors to the United States delegate.

In convening this meeting, the Japanese government is carrying out Article 9 of the Treaty of Peace which was signed at San Francisco September 8.

DEFENSE

Text of SR 3 to CPR 55

Following is the text of SR 3 to CPR 55, establishing dollars-and-cents ceiling prices for Standard and Extra Standard grades of canned green peas, issued and effective October 22:

TITLE 32A—NATIONAL DEFENSE, APPENDIX

Chapter III—Office of Price Stabilization, Economic Stabilization Agency

[Ceiling Price Regulation 55, Supplementary Regulation 3]

CPR 55—CEILING PRICES FOR CERTAIN PROCESSED VEGETABLES OF THE 1951 PACK

SR 3—CANNED PEA CEILING PRICE ADJUSTMENT

Pursuant to the Defense Production Act of 1950, as amended, Executive Order 10161 (15 F.R. 6105), and Economic Stabilization Agency General Order No. 2 (16 F.R. 738), this Supplementary Regulation 3 to Ceiling Price Regulation 55 is hereby issued.

STATEMENT OF CONSIDERATIONS

The pea canning industry represented to the Office of Price Stabilization that the ceiling prices for canned peas calculated under Ceiling Price Regulation 55 do not meet the standards set forth in the Defense Production Act of 1950, as amended. This contention is based upon the claim that ceiling prices calculated under the regulation effect rollbacks below the lower of either the prices prevailing just before the issuance of Ceiling Price Regulation 55 or the prices prevailing during the period January 25, 1951, to February 24, 1951, inclusive. In support of this contention canners supplied data on prices, sales and packs. Those data, together with information previously submitted by the industry, were examined to determine the extent, if any, by which prices under Ceiling Price Regulation 55 were below these levels. These data were for all items of canned peas and were representative of price levels of the entire pea canning industry. It was found that the ceilings for canned peas calculated under Ceiling Price Regulation 55 were generally fair and equitable and were not below the minimum level specified.

The examination, however, indicated that in the case of some canners their ceiling prices for certain items of standard and extra standard canned peas were substantially distorted from their normal relationship with canned pea prices generally. Accordingly, the Office of Price Stabilization is adjusting these abnormally low ceiling prices. This supplementary regulation, therefore, sets forth a table listing specific amounts to which canners may increase their ceiling prices calculated under CPR 55 for standard and extra standard canned peas. No downward adjustment is required if a canner's ceiling price, otherwise determined under CPR 55, is above the appropriate amount specified in the table. These adjustments, determined from the data submitted by the industry, will raise some ceiling prices previously calculated under CPR 55.

While formal consultation with the industry has been impracticable, it is the judgment of the Director of Price Stabilization that full consideration has been given to the views of the industry. It is the further judgment of the Director that the ceiling prices established under this supplementary regulation are generally fair and equitable and necessary to effectuate the purposes of the Defense Production Act of 1950, as amended.

REGULATORY PROVISIONS

Sec.

1. What this supplementary regulation does.
2. Adjusted levels for canned pea ceiling prices.

Authority: Sections 1 and 2 issued under section 704, 64 Stat. 816, as amended; 50 U.S.C. App. Supp. 2154. Interpret or apply Title IV, 64 Stat. 803, as amended; 50 U.S.C. App. Supp. 2101-2110; E.O. 10161, Sept. 9, 1950, 15 F.R. 6105; 3 CFR, 1950 Supp.

Sec. 1. *What this supplementary regulation does.* This Supplementary Regulation modifies Ceiling Price Regulation 55 by allowing canners of peas to increase their ceiling prices otherwise calculated under CPR 55 to specified dollar-and-cent adjusted levels.

Sec. 2. *Adjusted levels for canned pea ceiling prices.* If you are a canner of fresh green peas, you may increase your ceiling prices for standard and extra standard grades of canned fresh green peas packed in various containers, as calculated under Ceiling Price Regulation 55 without reference to this supplementary regulation to the following specific amounts:

	Adjusted ceiling price, dollars per dozen containers	
Container size	Standard Grade	Extra Standard Grade
No. 10	6.25	7.00
No. 2	1.20	1.35
No. 303	1.05	1.20
No. 1 (Picnic)	.85	.97
8-oz.	.70	.80

All other provisions of Ceiling Price Regulation 55 are unaffected by this supplementary regulation.

Effective date. This supplementary regulation to Ceiling Price Regulation 55 is effective October 22, 1951.

MICHAEL V. DISALLE,
Director of Price Stabilization.

October 22, 1951.

Text of OPS Memorandum Instructing Staff on Development Of Tailored Pricing Regulations

Following is the text of "Price Operations Memorandum No. 13," dated October 18, instructing the commodity division directors of OPS on the development of tailored pricing regulations:

To: Commodity Division Directors

Subject: Tentative Instructions for Development of Tailored Regulations for Manufacturers and Processors

PURPOSE OF THIS MEMORANDUM

This memorandum explains the tentative general procedures and standards to be used in the development of tailored regulations to replace the GCPR and the interim manufacturers' regulations.

A tailored regulation is typically prepared for a particular industry or segment of an industry and takes account of its particular problems and practices. This memorandum does not attempt to state all of the standards which may be involved in price control. It concentrates primarily on the salient task of preparing tailored regulations, and focuses on the discussion of those standards which should be most useful in that task. That leaves for separate instructions various other basic aspects of the price control program, including, e.g., individual price adjustment; or the need for raising ceilings to cover increased costs where necessary to render ceilings generally fair and equitable, etc.

IMPORTANCE OF TAILORED REGULATIONS

The program of OPS still gives highest priority to the preparation of tailored regulations. This program has been further delayed, and made more difficult, by the new legislative provisions. But the necessity to conform our program to the new legislation should not be allowed to set aside the basic program of tailored regulations. The extent to which that program has been modified by the new legislation is indicated in part below. The individual adjustment aspects of the new legislation will be dealt with in separate instructions.

Presently, ceilings for the bulk of manufactured products are established either under GCPR (or approximate equivalent) or under one of the series of "interim" manufacturers' regulations. Because of the wide range of commodities and sellers covered by these regulations, they do not provide satisfactory techniques of control for all of the industries covered. While generally fair and equitable, these regulations may be unsatisfactory as continuing regulations for particular industries for any one or more of the following reasons: The price levels they establish may be either too high for effective stabilization, or perhaps in some cases too low to satisfy legal requirements or economic needs; prices for individual products or sellers or areas may be out-of-line with each other, creating both inequities and possibilities for distortions of production or distribution; provisions for new goods pricing may be inadequate; reporting and record-keeping may either be inadequate or unnecessarily burdensome. Frequently the buyer can have no clear idea of the ceiling, and even the seller may have difficulty knowing what it is.

Tailored regulations for particular industries can correct most or all of these and related problems.

Obviously, priorities in a schedule of tailored regulations should depend not only upon the seriousness of these problems but also upon the significance of the commodity in the economy and upon the seriousness of existing or expected inflationary pressures. The importance of these latter two criteria in the priority schedule should not be allowed to be obscured either by industry complaints with respect to minor commodities, or by the obvious weakness of regulatory techniques where prices are not under serious pressure.

ADVANTAGES OF TAILORED REGULATIONS

The term "tailored regulation" has no unique significance, because degrees of tailoring are obviously possible. However, a tailored regulation has the following characteristics in varying degrees:

(1) It applies to a narrower range of products than the regulation it displaces;

(2) It provides prices or pricing methods which conform more closely to historical or other reasonable differentials (by grade, location, class of seller or buyer, etc.) and this permits a lower average level of prices or a structure of prices better adapted to maintaining a normal flow of goods than a regulation which ignores or merely freezes such differentials;

(3) It removes price inequities as between sellers, to the maximum possible extent;

(4) It recognizes and provides specifically for various trade practices, where maintenance of such practices is consistent with effective control;

(5) It provides specific prohibitions or other restrictions on the particular evasive practices most likely to occur in the trade or industry affected;

(6) It specifies reporting or record-keeping provisions better adapted to OPS and trade needs;

(7) It provides more effective procedures for pricing new goods and new sellers;

(8) For the above reasons it is more enforceable by buyers and/or OPS.

TECHNIQUES FOR TAILORED REGULATIONS

A. Dollars-and-cents prices

There are various techniques that can be used in tailored regulations. Dollars-and-cents regulations are clearly to be preferred on almost all counts, although the area of their application is somewhat restricted to standardized goods, where substantially uniform prices have historically prevailed. However, what appears to be a wide spread of prices for the same product can often be reduced to uniform dollars-and-cents ceilings by use of appropriate differentials for grade, location, class of buyers or sellers, etc.

B. The straight freeze

Although the straight freeze technique was often used in OPA tailored regulations, the opportunities for use of this technique are substantially narrower in the present situation. A straight freeze requires a base period which had a level of prices which is still appropriate and a structure of prices which is fair and effective. For most products, the GCPR base period is unsatisfactory on one or both counts. A pre-Korean base period may give an excellent structure of prices, but the level is rarely still appropriate. There may be cases, however, in which the present market provides both a proper level and a good structure of prices. In such cases a straight freeze as of a current base period may properly be used, and should be seriously considered where commodities are now selling well below inflated GCPR ceilings.

C. The modified freeze

But even if there is no base period which gives both a proper level and structure of prices, a modified freeze may be used where there is an available base period with a good structure of prices. This may be a pre-Korean period plus permitted dollars-and-cents or percentage increase factors (where possible, separate factors for categories or product lines or principal materials) or it may be the GCPR or a current period freeze plus or minus appropriate factors.

If the GCPR or other base period gives a generally proper freeze level, but an imperfect structure, the device of maximum and/or minimum cut-offs on prices or margins may provide satisfactory tailoring, or an adjustment provision to take care of out-of-line prices may be used.

D. The formula regulation

A formula type regulation establishes ceiling on the basis of some mark-up (seller's own historical or specified) over certain cost elements. This type is particularly appropriate where the goods produced are constantly changing and none of the preceding techniques is possible. Generally this mark-up should not be added to current costs, but should rather permit calculation of costs as of some cut-off date. Current costs

may be used only if the mark-up is adjusted when costs rise. As a matter of technique mark-ups should never be measured over total cost, but rather over direct cost, or some elements of direct cost. Of course the level of mark-ups must include an appropriate allowance for all other costs and reasonable earnings for the industry.

LEGISLATIVE STANDARDS FOR PRICE LEVELS IN TAILORED REGULATIONS

The amended Act provides that price ceilings in general regulations may be set no lower than the lowest of the following:

(1) The prices prevailing just before the date of issuance of the regulation;

(2) The prices prevailing during the period January 25, 1951 to February 24, 1951;

(3) The prices established in a regulation issued prior to 7:00 p.m., July 31, 1951; or

(4) Prices equal to the highest prices between January 1, 1950, and June 24, 1950 adjusted to reflect unit increases or decreases in all costs between the date of these highest prices and July 26, 1951.

GENERAL RULES FOR PRICE LEVELS IN TAILORED REGULATIONS

A. Where a commodity is under GCPR or similar regulation and is selling at ceiling, a tailored regulation should:

(1) Preserve the prevailing GCPR level; but

(2) If, for an important commodity, GCPR prices are clearly higher than pre-Korean prices plus all cost increases up to July 26, 1951, a cost study should be initiated which would permit present ceilings to be rolled back to or toward this standard. Indications that this is the case will generally include the following: an extremely rapid and sharp rise of prices between June 1950 and the GCPR; evidence of speculative attitudes in the market during that period; evidence that the price is determined by market demand rather than "administered" by sellers. Often rough calculations can be made, using known facts regarding changes in material prices, labor rates, changes in volume, etc., to indicate the probability that a rollback is appropriate. Because of the difficulties of a cost study, this must be limited to commodities of substantial importance, whose prices are significant for the cost-of-living or the cost of the defense program. It should particularly be considered where there is danger that without a rollback, prices of other commodities may need to be increased.

(*Note:* It is, of course, not practicable to apply this standard through individual seller calculation of his own changes in total costs. Rather this is a standard for determining the appropriate price level for a tailored regulation.)

(3) However, where cost increases since GCPR and prior to July 26, 1951, have been significant, and there is reason to believe that some recognition of these increases is necessary, the facts should be presented to the Assistant Director for Price Operations for development of an appropriate policy.

B. Where a commodity is under GCPR (or other regulation) but is selling well below ceiling, and where the ceiling level represents a very substantial advance above June 1950 levels, serious consideration should be given to the issuance of a tailored regulation rolling back ceilings to or toward present market levels. This should be particularly considered in the cases where present ceiling levels were clearly determined largely by demand and speculative attitudes rather than by costs. Such action will not require a cost study, inasmuch as the Act permits ceilings to be set at or above levels prevailing just prior to their issuance. Present market levels should not, however, be used where the market is depressed. A market is, of course, not depressed merely because prices are below ceiling. Judgment as to whether it is depressed must be made in terms of demand conditions, volume of current transactions, inventories, business failures, available evidence on margins or earnings, etc. This aim should be to establish the lowest level that can be firmly and fairly held in the face of renewed inflationary pressures.

It is important that action be taken in such cases as promptly as possible, and before inflationary pressures reassert themselves.

C. Where a commodity is under CPR 22, 30, etc., and ceilings under these regulations are higher than under GCPR, the regulation should:

(1) Reduce ceilings to or toward the level of GCPR prices, wherever CPR 22 and 30 have yielded inappropriate or excessively high increases. This course may be particularly appropriate where CPR 22 ceilings are higher than actual market levels. Increases above GCPR levels should be viewed very critically to make sure that they do not represent a freakish result of some feature of the manufacturers' formula, and are truly justified by the spirit and intention of the manufacturers' regulation. The choice of base periods in the manufacturers' regulation, or the provisions for transferred materials may have given much higher prices than are necessary or justified. Likewise there are cases in which the cost changes recognized by the manufacturers' regulation may give an exaggerated measure of changes in all costs—perhaps because overhead costs are significant and there had been large expansion of volume. There are also cases in which materials costs have fallen since the cut-off dates of the manufacturers' regulations. Earnings data, such as a comparison or earnings of the first half of 1950 and 1951, may provide a better measure of true cost increases than the particular formulae in CPR 22.

(2) If the branch's analysis of all the data shows that paragraph (1) is not appropriate for the industry, the tailored regulation may accept the lowest level of ceiling prices under the manufacturers' regulation at which substantial volume occurs.

(3) There may be a few instances in which the formula of clause (1) of Section 402(d)(4) would yield prices substantially below even GCPR levels (because of volume expansion or reduced materials costs). If so, a cost study should be initiated which would permit prices to be rolled back to or toward that standard.

D. This memorandum does not consider the area where a commodity is under CPR 22, 30, etc., but most producers have exercised their option to remain under GCPR pending the mandatory effective date of these regulations. Further instructions will be issued on this subject.

E. "Prevailing" levels of GCPR prices are normally weighted averages of individual prices. Where GCPR ceilings are above the average of delivery prices in the period January 25, 1951-February 24, 1951, the average of such delivery prices rather than ceiling prices should be used. Physical volume of production or sales, or dollar volume may be used as weights. Absence of *precise* weighting factors is not serious and should not prevent use of a weighted rather than an unweighted average. However, this method should not be used:

(1) Where the distribution of prices shows a wide dispersion, and there is reason to believe that a number of the firms with higher prices than average are high-cost firms whose output might be threatened by use of an average price, and where the commodity involved is of substantial importance. Under these circumstances, some form of differential pricing should be devised. If this is clearly impossible, some latitude may be permitted to select a price slightly above the weighted average, but such deviation from the general rule must receive specific advance clearance before the branch initiates formal action.

(2) Where the distribution of individual prices is freakish, a weighted average should clearly not be used. For example, we may have the situation where 90 percent of the firms have a uniform price, but 10 percent have prices substantially lower or substantially higher. In such instances, it may be that investigation would disclose that the prices which are out-of-line represent distinct grades, qualities, locations, or other systematic dif-

ferentials which would be provided in the regulation.

If this is not the case, the modal (most frequently occurring) price should be used—in the above example, the price charged by the 90 percent. In other cases of distorted distribution, some judgment must be applied in establishing the prevailing price.

EXCEPTIONS TO GENERAL RULES

Instances may occur in which the individual adjustments required by the amended Act may make industry regulations in accordance with the above standards untenable. Instructions for such cases will be issued later. At this point it need only be indicated that it is not present OPS policy to raise general industry ceilings merely to avoid or to recognize individual adjustments under the amended Act.

Other exceptions to the above rules may be required for supply reasons, or to meet the industry earnings standard. Any exception for supply reasons must be carefully justified, and fully cleared within the agency before any formal action is initiated.

Although written instructions for the application of the earnings standard are not yet available, considerable work has been done on such instructions, and details may be provided to any branch which is considering application of the earning standard or is otherwise concerned with the problem whether the ceilings are generally fair and equitable.

E. F. Phelps, Jr.,
Assistant Director

[Note: The "industry earnings standard" referred to in Mr. Phelps' memorandum was announced by Eric Johnston, Economic Stabilization Administrator, on April 22 (see INFORMATION LETTER of April 28, page 183).

[Under the "industry earnings standard" announced by Mr. Johnston, no industry will be permitted to increase prices if the industry's dollar profits amount to 85 percent of the average of its best three years during the period 1946-49, before federal taxes and after normal depreciation.]

Construction under USDA

(Concluded from page 365)

materials which will be available for such construction during early 1952, USDA said. The materials outlook is such that only the most essential projects, which are not deferrable without jeopardizing basic objectives of the food program, can be allocated critical materials at this time. All applications recommended for approval will also be screened carefully to insure that amounts of material granted are the minimum quantities required and that conservation and substitution measures have been adopted to the maximum extent practicable.

USDA urged food processors and wholesale food distributors who will require construction materials in the second quarter (April-June) of 1952 to file applications with PMA state offices by January 1. Only by reviewing all applications for such construction at one time can the Department make the most equitable and efficient allotment of the limited materials available. Early action upon applications is necessary so applicants can obtain materials within the allotment period.

Correction in Text of CPR 55

Following is the text of a correction to CPR 55, as published in the *Federal Register* of October 19:

TITLE 32A, NATIONAL DEFENSE, APPENDIX

Chapter III—Office of Price Stabilization, Economic Stabilization Agency
[Ceiling Price Regulation 55, Amdt. 5, Corr. 3]

CPR 55—CEILING PRICES FOR CERTAIN PROCESSED VEGETABLES OF THE 1951 PACK

ADDITIONAL PRODUCTS COVERED, AND MISCELLANEOUS CHANGES

Correction

Due to a typographical error, Amendment 5 to Ceiling Price Regulation 55, issued October 5, 1951, contains a misprint in the amended Table I of section 2(b). Accordingly, the adjustment factor for canned tomato puree produced in Texas in Table I of section 2(b) which incorrectly reads "1.55" is corrected to read: "1.15".

SR 4 to CPR 55

By Supplementary Regulation 4 to CPR 55, issued and effective October 26, canners of tomato products are authorized to calculate temporary ceiling prices if their ceilings as determined under the basic regulation are out of line with normal relationships. The temporary ceilings will be used pending a study of the industry's pricing structure, OPS said.

Under SR 4, processors may use either the CPR 55 ceiling prices or sell at a price agreed upon in writing with their buyers. Processors must agree, however, that the final sales price will be either the contract price or the subsequent ceiling price as determined after the new study, whichever is lower.

The products covered by SR 4 are canned catsup (excluding bottled catsup), canned tomato puree, canned tomato sauce (including hot sauce), and canned tomato paste. Canned tomatoes, tomato juice, and presumably chili sauce are not affected by the order.

Copies of SR 4 to CPR 55 were reproduced by N.C.A. and mailed to packers of tomato products.

Certificates of Necessity

Termination of the 60-day moratorium on the issuance of tax amortization certificates and the establishment of new procedures and criteria for the filing and processing of applications were announced October 18 by the Defense Production Administration, the certifying authority.

The following summary of procedure and criteria was announced:

"1. Immediate termination of the moratorium which began August 18.

"2. Issuance of certificates of necessity on construction commenced *after* November 1, 1951, only if DFA has, prior to the beginning of construction, made a determination as to shortage of the facilities and essentiality of the product.

"3. Review of applications on file and canvass of applicants to determine whether construction has been commenced or is still contemplated, and whether an allocation of materials has been requested.

"4. Adoption of a formal system of priorities for processing applications based on the essentiality of the product involved.

"5. Treatment within priority groups to be based on the extent of the particular shortage involved and the degree to which already certified expansion has reduced it."

Under its revised procedures, DPA will publish a formal order of preference based on the degree of essentiality of the production involved. The essentiality will determine the order in which applications will be processed hereafter.

In the initial stages, priority of treatment will be given applications involving production of 10 specified classes of industrial products. DPA emphasized that the order of priority and the priorities themselves will be revised from time to time as conditions warrant.

Determination as to shortage of facilities and essentiality of the products will be evidenced by the issuance of either a necessity certificate or, in the event that the volume of cases to be handled becomes heavy, a brief form letter stating that such determination has been made and giving the percentage of certification which will be allowed when the application for the necessity certificate is ultimately processed.

CONGRESS

Senate Group Seeks Priority On Steel for Food Industry

Food production and food processing industries should be given priority on steel and other scarce materials second only to the more urgent parts of the military program, it is recommended by the Senate Committee on Agriculture.

In a report on the "supply and demand for fertilizers, farm machinery, and pesticides," the committee states that present supplies of these materials are not fully adequate to meet requirements and that, on the basis of current allocations, next year's supplies will be even more inadequate.

The report was filed October 18 by Senator Ellender (La.), chairman of the Agriculture Committee. The committee had conducted public hearings in September.

With respect to food processing equipment, the report stated:

"Witnesses representing the food processing equipment manufacturers appeared before the committee and reported that controlled materials allocated for food processing equipment are only about half of the amounts used during a similar period in the three years 1948, 1949, and 1950. Approximately one-third of the materials in this field go into repair parts, and more than half are used to build equipment for replacement use. If, as now appears probable, allocations are reduced further in the first and second quarters of 1952, the food processing equipment industry will be most seriously affected.

"Much of this equipment is made on a semicustom basis. There are no inventories of finished machines on which to draw. It is vital that our food processing industries have sufficient equipment to process the increased quantities of food which are being produced in this defense period. Again this may require further reductions in the materials used by the less essential civilian industries."

Fertilizers—The report notes that farmers used approximately 25 percent more commercial fertilizers in 1951 than in 1950 and would have used even larger quantities had they been available. The report says:

"While the demand for fertilizers will be even greater in 1952, there is little prospect of meeting it in full. The amount of nitrogen available is expected to exceed the 1951 level by only a small amount; superphosphate production is expected to be smaller because of the shortage of sulfur; and only in the case of potash do we expect an increase in supplies of as much as 10 percent. If present trends continue, farmers will be far short of the fertilizer they would like to use in attempting to meet their production goals in 1952."

Pesticides—"Adequate supplies of pesticides were available throughout the season except for isolated cases where distribution difficulties occurred. The high level of production in 1951 permitted the industry to end the season with adequate inventories of most pesticides at all distributive levels.

"Shortages for 1952 are expected in lead arsenate, copper compounds, liquid grain fumigants, sulfur, sodium chlorate, and steel containers. The two most critical shortages are lead for making lead arsenate and steel for the containers."

Farm Machinery—With regard to farm machinery, the committee said, in part:

"The committee is aware of the over-all shortage of steel but does not believe that the needs for agriculture have been given as high a rating as they merit. The committee holds firmly to the view that the production and processing of food is equally as important as the production of munitions. It believes that the material requirements for this essential industry should be given an even higher rating as compared with consumers' durable goods including automobiles and housing than was given in the allocations for the fourth quarter of 1951."

The recommendations of the committee are:

"1. Requirements for steel and other scarce materials needed for the production and processing of food and fiber should be given priority second only to the more urgent parts of the military program.

"2. Every effort should be made to continue utilizing war plants for the production of nitrogen fertilizers until they actually are needed for munitions production.

"3. Allocations of materials for expansion and construction of new fertilizer plants should be given top priority.

"4. In the allocation of our limited sulfur supplies, the essentiality of agriculture's requirements should be given an even higher rating than in the past, and increased production of sulfur should be encouraged both in the United States and abroad.

"5. In view of our need for increased food and fiber goals for 1952 and the shift of farm labor to defense jobs, sufficient steel and other scarce materials should be allocated for farm machinery and implements to permit higher levels of production than in 1949.

"6. Adequate provision is not being made for processing increased quantities of food and fiber. Allocations of steel and other scarce materials for the manufacture of food processing equipment appear to be smaller in relation to earlier use history than for many less essential consumer durable goods. Materials required for food processing equipment should be given a higher priority.

"7. The smaller manufacturers of farm machinery need special assistance in placing orders for their allocations and should be helped as needed.

"8. Expected shortages of lead arsenate, copper compounds, liquid grain fumigants, sulfur, sodium chlorate, and steel containers for pesticides should be alleviated."

Defense Act Appropriations

Appropriations to support the defense functions of civilian agencies of the government under the Defense Production Act were approved by Congress on October 20.

Both the House and Senate adopted and sent to the President the conference report on the Supplemental Appropriations bill, H. R. 5215, providing special funds for the Department of Agriculture, Department of Interior, other production agencies, and the stabilization agencies.

A total of $88,538,750 was appropriated for defense functions of the federal government for the fiscal year which began July 1.

The House on August 20 had refused to appropriate special funds for USDA and the Interior Department. In debate on the floor, it was said that both agencies should carry on their assigned functions under the Defense Production Act with existing facilities.

The conference report on H. R. 5215, however, makes available $1,500,000 for USDA and $5,000,000 for the Interior Department, to be shared by six offices including the Defense Fisheries Adminstration.

The conference report also provides funds for the Economic Stabilization Agency, including OPS—$98,053,375; the Commerce Department, including NPA—$39,737,500; Office of Defense Mobilization—$1,711,250; Defense Production Administration—$2,800,000; and Defense Transport Administration—$2,543,750.

The bill also provides funds for the Labor Department—$2,000,000; Housing and Home Finance Agency—$700,000; Office of Education, FSA—$400,000; Justice Department—$100,000; Small Defense Plants Administration—$350,000; and the Federal Civil Defense Administration—$11,195,000 for operations, $7,750,000 for federal contributions, and $56,000,000 for emergency supplies and equipment.

Inspection of Business Records

The Senate on October 18 passed and sent to the President S. 921, providing administrative machinery to enable the Comptroller General to examine business records of firms having negotiated contracts with the government.

Such authority already exists, on a temporary basis, in an amendment to the First War Powers Act (P. L. 921, 81st Cong.). The new legislation extends this authority on a permanent basis by writing such authority into the Armed Services Procurement Act of 1947 and the Federal Property and Administrative Services Act of 1949.

The full text of this amendment is quoted:

"All contracts negotiated without advertising pursuant to authority contained in this act shall include a clause to the effect that the Comptroller General of the United States or any of his duly authorized representatives shall until the expiration of 3 years after final payment have access to and the right to examine any directly pertinent books, documents, papers, and records of the contractor or any of his subcontractors engaged in the performance of and involving transactions related to such contracts or subcontracts."

Chemicals in Food Products

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on the use of chemicals in cultivating and processing foods.

The schedule of public hearings follows:

Spokane, Nov. 13—U. S. district court room, Post Office Bldg., with headquarters at Davenport Hotel;

Seattle, Nov. 17—Customs court room, Federal Office Bldg., with headquarters at Olympic Hotel;

San Francisco, Nov. 20-21—Federal Bldg., with headquarters at St. Francis Hotel;

Los Angeles, Nov. 23-24—U. S. Post Office and Courthouse Bldg., with headquarters at Biltmore Hotel.

All inquiries should be directed to the headquarters of the committee in each city, rather than to the hearing room.

The House on October 15 authorized the committee to expand its investigation to cover the effect of the use of synthetics in the production of cosmetics. Witnesses qualified to furnish pertinent data in this field also will be called on.

PUBLICITY

N.C.A. Laboratory Facilities Shown in Picture Layout

The center spread of the October 8 issue of *Chemical and Engineering News* was devoted to a pictorial presentation of N.C.A. laboratory facilities in the headquarters building at Washington, D. C.

Introducing the picture layout, the magazine stated:

"The advent of canned foods may well have marked the day of woman's emancipation—and it can be said that it was science that freed her from the shackles of the scullery. Today, scientific research assures her of the continued safety and nutritive value of canned foods.

"Ever since 1913, the National Canners Association has maintained laboratories to carry on research for its industry members into the principles of canning and the operations incidental to canning. The N.C.A. now has, in addition to its Washington laboratory, research laboratories in Berkeley, Calif., and Seattle, Wash. Their operations are extensive. They investigate the source and control of spoilage bacteria; test canned food samples to determine causes of abnormal odor, flavor, or appearance, and again to determine the purity of the ingredients."

Pictures and captions used in this feature included scenes in the general analytical laboratory, bacteriological laboratory, pilot plant, home economics kitchen, for a total of six interior views. A photograph of the building exterior was included in the layout.

Heinz at Florida Meeting

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production of canned foods for the armed services and its fighting allies. In the recent struggle the industry produced millions of cases of canned foods for fighting and civilian populations alike—the biggest production in canning history. It played a leading part in the development of special rations. It changed its packaging practices to meet the critical metal shortage occasioned by Japanese seizure of important tin sources in Malaya, where tin for containers and closures originates. Canning industry laboratories led in the development of wartime types of containers and coatings, helped the Army develop a motorized field laboratory service and furnished personnel and training to operate it. The industry also played a leading role in assisting the government with manpower recruitment for both farm and factory to keep the supply of vital foods in the high production required for warring peoples.

"We have no cause to fear future emergencies, considering the strength and adaptability we possess and have demonstrated," Mr. Heinz asserted.

Copies of a press release highlighting these remarks by Mr. Heinz were sent by N.C.A. to 36 daily and 29 weekly newspapers in Florida and to 44 canning trade papers, and to the national newspaper wire services. Copies of his address were mailed to a selected list. Copies of the release and the address were made available to the working press covering the meeting in Palm Beach.

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